

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Acting Chairman;
Tony Hammond, Vice Chairman;
Mark Acton;
Ruth Y. Goldway; and
Nanci E. Langley

Competitive Product Prices
Global Expedited Package Services 3 (MC2010-28)
Negotiated Service Agreement

Docket No. CP2014-68

ORDER APPROVING MODIFICATION TO
GLOBAL EXPEDITED PACKAGE SERVICES 3 NEGOTIATED SERVICE
AGREEMENT

(Issued April 21, 2015)

I. INTRODUCTION

The Postal Service seeks to modify a Global Expedited Package Services 3 negotiated service agreement.¹ For the reasons discussed below, the Commission approves the Modification.

¹ Notice of the United States Postal Service of Filing Modification to Global Expedited Package Services 3 Negotiated Service Agreement, April 10, 2015 (Notice). The Modification is an attachment to the Notice (Modification).

In Order No. 2166, the Commission approved the Global Expedited Package Services 3 negotiated service agreement (Existing Agreement).² On April 10, 2015, the Postal Service filed notice that it has agreed to the Modification to the Existing Agreement. On April 13, 2015, the Commission issued an order reopening this docket to consider the Modification, appointing a Public Representative, and providing interested persons with an opportunity to comment.³

The Postal Service intends for the Modification to become effective on May 1, 2015. Notice at 1. The Postal Service filed supporting financial documentation and a certified statement, as required by 39 C.F.R. § 3015.5. *Id.* The Postal Service asserts that the Modification will not impair the ability of the contract to comply with 39 U.S.C. § 3633. Notice, Attachment 2.

II. COMMENTS

Comments were filed by the Public Representative.⁴ No other person submitted comments. The Public Representative reviewed the Modification, the Existing Agreement, and the financial model filed under seal. *Id.* at 1-2. Based on that review, she concludes that the Modification is functionally equivalent to the Existing Agreement and that it appears the negotiated prices in the Modification should generate sufficient revenues to cover costs. *Id.* at 2.

III. COMMISSION ANALYSIS

The Commission has reviewed the Notice, the accompanying materials filed under seal, and the comments filed by the Public Representative.

² See Order Approving Additional Global Expedited Package Services 3 Negotiated Service Agreement, August 22, 2014 (Order No. 2166).

³ Order No. 2438, Notice and Order Concerning Modification to Global Expedited Package Services 3 Negotiated Service Agreement, April 13, 2015.

⁴ Public Representative Comments on Postal Service Notice Concerning Modification to Global Expedited Package Services 3 Negotiated Service Agreement, April 20, 2015 (PR Comments).

Cost considerations. The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

Agreements included within the GEPS 3 product offer price incentives to mailers that use Priority Mail Express International and Priority Mail International. In Order No. 2166, the Commission concluded the Existing Agreement was substantially similar to the baseline agreement and found that the addition of the Existing Agreement to the GEPS 3 product should allow the product to continue to comply with 39 U.S.C. § 3633(a)(2).⁵ The Modification adds an additional provision regarding mail preparation requirements and replaces the agreement's pricing annex. Notice, Attachment 1.

Based on a review of the record, the Commission finds that the Existing Agreement, as modified, should cover its attributable costs. Consequently, the Commission finds that the Modification should allow the Global Expedited Package Services 3 product to continue to comply with 39 U.S.C. § 3633(a)(2). For this reason, the Commission finds that the Modification should not result in competitive products as a whole being subsidized by market dominant products, in accordance with 39 U.S.C. § 3633(a)(1). Similarly, it finds the Modification is unlikely to prevent competitive products as a whole from contributing an appropriate share of institutional costs, consistent with 39 U.S.C. § 3633(a)(3). Accordingly, a preliminary review of the Modification indicates it is consistent with section 3633(a). The Commission will review the cost coverage of the Existing Agreement, as modified, the cost coverage of the

⁵ Order No. 2166 at 3-4.

Global Expedited Package Services 3 product, and the contribution of competitive products as a whole to the Postal Service's institutional costs in the Commission's Annual Compliance Determination to ensure that they continue to comply with 39 U.S.C. § 3633(a).

Other considerations. The Postal Service states that the Modification shall become effective on May 1, 2015. The Existing Agreement, as modified, is set to expire one year after the initial effective date unless, among other things, either party terminates the contract with 30 days' written notice to the other party. If the Existing Agreement, as modified, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

In conclusion, the Commission approves the Existing Agreement, as modified.

IV. ORDERING PARAGRAPHS

It is ordered:

1. The Commission approves the Global Expedited Package Services 3 negotiated service agreement, as modified.
2. The Postal Service shall notify the Commission if the Existing Agreement, as modified, terminates prior to the scheduled expiration date.

By the Commission.

Shoshana M. Grove
Secretary